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February 14, 2007

Memo to: Senate Committee on Economic Development, Job  
Creation, Family Prosperity and Housing  
(Senator Lassa, Chair)  
Assembly Committee on Jobs and the Economy  
(Representative Strachota, Chair)

From: Trisha Pugal, CAE  
President, CEO

RE: **Senate Bill 24 – Film Wisconsin Incentive Start**

On behalf of the Wisconsin Innkeepers Association, a trade association consisting of over 1,000 hotels, motels, resorts, condos, inns, and bed & breakfasts around the state of Wisconsin, we ask for your support of SB 24 – a bill that would expedite the implementation date of tax incentives already passed during the last legislative session.

The lodging industry is a major contributor to funding for promoting tourism in communities around the state, collecting over \$50 million that is provided to local governments primarily to fund local marketing efforts that attract travelers to areas around the state. In addition, state tourism marketing funds are used to attract visitors to the entire state to spend their money and contribute to our tax revenues.

Unfortunately, marketing alone to film production companies is not sufficient to attract them to bring production work to Wisconsin, which in turn generates considerable revenue to the tourism industry in the locale they select. Incentives to attract these companies are now an assumed component that a growing number of states are quickly implementing.

The 2008 implementation date imposed under the legislation passed last session unfortunately provided a false sense of hope alluding that because in 2008 incentives would be in place, for some reason film companies would want to come here in 2007 to invest their monies in local economies. Instead we are missing out on many opportunities to generate revenue. SB 24 can help by moving up the implementation date to help Wisconsin gain a competitive edge over other states eager to beat us in attracting the business.

We ask that you recognize the potential before us, and the fact that this will generate **new revenue**, not reduce current tax revenue, as it applies to revenue not currently coming into our state. Please support SB 24.

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MISTAKEN IDENTITY  
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2007 SB 24  
SG

Script Dated: June 14, 2006  
Budget Draft Dated: January 18, 2007  
Production#: OFI 2007/001

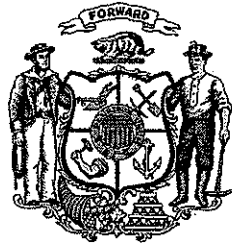
Producer: R Kolman  
Director: R Kolman  
Prepared By: R Kolman

Acct No	Category Description	Page	Total
1100	STORY, RIGHTS, CONTINUITY	1	96,725
1200	PRODUCERS UNIT	1	736,900
1300	DIRECTOR	2	364,000
1400	CAST	3	1,084,000
1850	CONTINGENCY 15%	5	465,000
1900	FRINGE BENEFITS	5	919,868
<b>Total Above-The-Line</b>			<b>3,666,493</b>
2000	PRODUCTION STAFF	6	540,568
2100	EXTRA TALENT	8	40,370
2200	SET DESIGN	9	253,165
2300	SET CONSTRUCTION	10	476,493
2400	SET STRIKING	12	17,482
2500	SET OPERATIONS	12	341,197
2600	SPECIAL EFFECTS	15	31,109
2700	SET DRESSING	16	136,405
2800	PROPERTY	17	63,235
2900	WARDROBE	18	159,740
3000	PICTURE VEHICLES & ANIMALS	19	4,500
3100	MAKE-UP & HAIRDRESSING	19	161,113
3200	LIGHTING	20	156,859
3300	CAMERA	22	345,770
3400	PRODUCTION SOUND	23	116,301
*3500	TRANSPORTATION	24	434,517
3600	LOCATION	29	277,321
3700	PRODUCTION FILM & LAB	31	150,000
3800	VIDEO TAPE: PRODUCTION	31	20,000
4000	SECOND UNIT	31	175,000
4100	TESTS	31	25,000
4200	STAGE RENTAL	31	2,000
4850	CONTINGENCY 15%	32	592,500
<b>Total Below-The-Line Production</b>			<b>4,520,645</b>
4400	VISUAL EFFECTS	33	25,000
4500	EDITING	33	394,000
4600	MUSIC	33	300,000
4700	POST PRODUCTION SOUND	34	75,000
4800	POST PROD FILM & LAB	34	46,500
4900	MAIN & END TITLES	34	15,000
5600	SPECIAL PHOTO EFFECTS (PHOTO&MINIS)	34	25,000
5850	CONTINGENCY 15%	34	135,000
<b>Total Below-The-Line Post</b>			<b>1,015,500</b>
6500	PUBLICITY	35	241,300
6700	INSURANCE	35	1,425,000
6800	GENERAL EXPENSE	35	65,550
<b>Total Below-The-Line Other</b>			<b>1,731,850</b>
<b>Total Above-The-Line</b>			<b>3,666,493</b>



Acct No	Category Description	Page	Total
	Total Below-The-Line		7,267,995
	Total Above and Below-The-Line		10,934,488
	Total Fringes		0
	Grand Total		10,934,488



**STATE OF WISCONSIN**

**BARBARA LAWTON**  
LIEUTENANT GOVERNOR

Committee Chair Lassa, Vice Chair Lehman, Committee Chair Strachota, Vice Chair Honadel, Senators and Representatives:

I have been privileged to join a bipartisan coalition of legislators and private sector advocates who worked together over the past three years to craft and enact incentives that will, without a doubt, help Wisconsin claim our share of the \$50 billion spent annually in the film and video production industry. The incentives will put Wisconsin on firm competitive footing to attract film and video production – and the hundreds of jobs and millions of dollars those industries represent—to our state.

The incentives prove to be more attractive than even we anticipated. As a result, several major film projects are already circling like airplanes wanting to land here, ready to begin shooting in Wisconsin, ready to hire crew and start spending money here. But they won't until those incentives are effective. Until then, they will set up shop in Winnipeg, Louisiana, South Carolina, or another state where incentives are already in place. This is the reality of the film industry: this kind of incentive is foreign to our experience with other sectors, but it is the reality in this case. Without those incentives in place, we will never bring this very active and growing industry to Wisconsin.

I know that Wisconsin's incentives are due to take effect in a little less than one year. You may ask, what's one more year? To put it simply, one more year means tens of millions of dollars. Since the time Governor Doyle signed the original bill last May, we have already missed out on \$78 million worth of film and television projects that producers wanted to film here. Another \$10 million film, set in Wisconsin and based on the life of a Wisconsin native, is set to start shooting in Canada – if we don't move the effective date of the incentives. We have received inquiries about our incentives on projects collectively worth between \$50 and \$75 million in just the last six weeks. Those projects will not wait a year to begin production; we should not wait a year to welcome them.

Quite simply, the longer we wait, the more we lose.

The film incentives were crafted and passed in a bipartisan spirit of cooperation to spur Wisconsin forward and enrich our economy and opportunities in this growing sector. I respectfully ask that we capitalize on the vision that drove this bill forward





to secure Wisconsin's lead in the competitive landscape of this exciting and lucrative and green industry.

Barbara Lawton  
Lieutenant Governor





# State of Wisconsin • DEPARTMENT OF REVENUE

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**Jim Doyle**  
Governor

**Roger M. Ervin**  
Secretary of Revenue

Senate Committee on Economic Development, Job Creation, Family, Prosperity and Housing  
Hearing, Joint Hearing, February 14, 2007

## **SB 24 - Film Production Credit—Change effective dates (Sen. Kanavas)**

Assembly Committee on Jobs and the Economy

## **AB 56 - Film Production Credit—Change effective dates (Rep. Strachota)**

### *Description of Current Law and Proposed Change*

- Under current law, for taxable years beginning on or after January 1, 2008, a film production company may claim income and franchise tax credits for expenses related to film production services, including a percentage of the salary or wages paid to employees in Wisconsin and for capital investments made in this state.
- Under this bill, a film production company may claim the credits for taxable years beginning on or after July 1, 2007, and may also claim expenses paid after December 31, 2006, and before July 1, 2007.

### *Fairness/Tax Equity*

- The tax credits are available only to entities involved in film production and the creation of video games. Businesses in other sectors of the economy would not receive the tax benefits.

### *Impact on Economic Development*

- The bill could encourage films and video games to be made in Wisconsin starting earlier than under current law, therefore potentially creating jobs sooner.
- On the other hand, the bill would allow the credits for expenditures after December 31, 2006. Awarding credits retroactively would not encourage investment. Credits could be limited to expenses incurred the day after publication of the bill. For real property, this could be for property acquired the day after publication or for construction begun the day after publication of the bill.

*Administrative Impact/Fiscal Effect*

- The fiscal effects of the credits are not known but could be substantial. Credit claims by even one company could result in a significant loss of revenue. Under current law, the revenue effects would have first been realized in FY09. Under this bill, the revenue effect will first be realized beginning in FY08.
- If the order of claiming credits for corporations and insurance companies remains as drafted, it is unlikely that corporations and insurance companies would be able to benefit from the wage and sales tax portions of the film production services credit (secs. 71.28(5f)(b)1. and 3.), or for the film production company investment credit (sec. 71.28(5h)), because their tax liability would already be reduced to zero by the refundable portion of the credit. To correct this problem, these nonrefundable credits could be placed in the order before the production expenditures portion of the film production services credit (sec. 71.28(5f)(b)2.), which is a refundable credit.
- The change from taxable years beginning on or after January 1, 2008, to taxable years beginning on or after July 1, 2007, will be a problem if this bill is enacted late in 2007 (generally after July 31, 2007) after forms have been finalized for printing.

*DOR Position*

- No position.

Prepared by: Michael Oakleaf, (608) 261-5173

February 13, 2007

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WISCONSIN STATE REPRESENTATIVE  
**Louis J. Molepske, Jr.**  
71ST ASSEMBLY DISTRICT

**SENATE BILL 24 AND ASSEMBLY BILL 56: FILM INCENTIVES**

**I. Background:**

The Film Wisconsin Incentives Bill was passed overwhelmingly by both houses of the legislature and signed into law by Governor Doyle on May 30, 2006. The bill offers a refundable tax credit of **25 percent** of direct production expenditures and a **25 percent** investment tax credit for investing in Wisconsin-based productions. It also offers a sales and use tax exemption for machinery, equipment and services used in production and post-production, a **15 percent** state income tax credit to artists who are Wisconsin residents and use of state-owned buildings and locations free of charge as available, with no fees for permits.

A last minute amendment by the Joint Finance Committee moved the effective date of the Incentives Bill to **January 1, 2008**.

According to the Milwaukee Film office, as a result of the delay, more than **\$75 million** in possible productions and hundreds of jobs that expressed interest in working in Wisconsin went to other states and Canada where incentives are already in place.

As an indicator of the potential of local economic impact, the film "Mr. 3000," which partially filmed in Milwaukee in 2003 brought **\$19,795,000** to the local economy according to VISIT Milwaukee's local film office.

The rest of "Mr. 3000" was filmed in Louisiana due to more lucrative film incentives.

This was first major film project Wisconsin hosted in **15 years**.

State officials estimated in 1994 that one film alone, "I Love Trouble" with Julia Roberts, brought **\$2.2 million** into the Wisconsin economy. It was filmed in Madison.

**II. United States Figures**

Film production represents a **\$40 billion dollar industry** in the U.S.

U.S. moviegoers spent **\$9.13 billion** at the box office in 2006, up **3.4%** from 2005.

As many as **80%** of film production jobs are local hires.

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Madison, WI 53708-8953  
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### III. Other States

States with competitive tax incentive packages, such as New Mexico, New York and Louisiana, have generated state film project revenues anywhere from **\$125 to \$600 million per project**. Louisiana, New York, California, Illinois and New Mexico currently offer the most competitive tax incentive packages.

Prior to Louisiana passing their film tax incentive, total production dollars spent per annum was **\$20 million**; two years later it was **\$350 million**.

New Mexico has seen an increase of **\$500 million** in additional revenues since their Film Incentives Bill was passed.

Last year, North Carolina enjoyed **\$235 million** in economic impact from film, television and commercial productions that generated **20,000 production jobs**.

Last year Illinois boosted their incentives to **20%** due to the envisioned impact the Film Wisconsin Bill would have on the region

Location lensing days fell **3.4%** in Los Angeles in 2005 because tax incentives are encouraging producers to film elsewhere.

In 2006 **16 of the 28** states that offer film incentives either enacted or enhanced

Despite the success of other regions, the entertainment industry as a whole remains vital to the L.A. economy. The business directly supports an estimated **240,000 high-paying local jobs**, and pumps an estimated **\$30 billion** into the regional economy.





Testimony of State Senator Ted Kanavas  
Senate Bill 24: Changing the effective date of the Film Wisconsin Legislation  
Committee on Economic Development, Job Creation, Family Prosperity & Housing  
Joint Hearing with the Assembly  
Wednesday, February 14, 2007

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Chairperson Lassa, Chairperson Strachota, thank you for allowing me to provide testimony on Senate Bill 24: changing the effective date of the Film Wisconsin Legislation.

Why move the effective date? The answer is simple; JOBS.

Last year, after months of work by many people in this room, the Governor signed the Film Wisconsin Legislation into law. The Film Bill provided tax credits to film, television and video game companies in order to attract new businesses and new jobs to our state.

With every film, 50% of a production's total budget ends up as direct expenditures in the local community where the actual shooting takes place. That means for a \$20 million movie, \$10 million dollars would be infused into the local economy creating jobs for carpenters, electricians, caterers, restaurant employees, security personnel and many others involved in the film production process. Over time, Wisconsin will develop its own film crews comprised of highly skilled labor. This labor force will represent the permanent jobs that we so desperately need.

We cannot afford to ignore a \$40 billion nationwide industry providing jobs, tax revenue, and limitless national and international exposure. The sooner our incentives begin, the sooner we will add jobs to the state economy.

Results in other states prove that incentives work quickly. Since 2003, New Mexico has waived roughly \$30 million in film-related taxes and interest and the state has reaped approximately \$780 million in new economic impact. States like Connecticut, Louisiana, and North Carolina have experienced similar economic and job growth. Wisconsin has an opportunity to get a piece of the pie. Since passage of Film Wisconsin, Illinois and other neighboring states have ramped up their efforts to attract productions.

The current effective date of the incentives is Jan. 1, 2008. SB 24 allows companies to earn credits as of January 1<sup>st</sup> 2007, but prohibits the state from awarding any credits until July 1, 2007. The six month gap eliminates and fiscal effect on the 2005-2007 budget.

I urge my colleagues on the committee to support this legislation. Thank you.

1. The first part of the report is a summary of the work done during the period covered by the report. It is a brief statement of the results of the work, and is intended to give the reader a general idea of the work done.

2. The second part of the report is a description of the work done during the period covered by the report. It is a detailed statement of the work done, and is intended to give the reader a general idea of the work done.

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8 February 2007

Special Letter

TO: Wisconsin State Assembly Committee on Jobs and The Economy  
Wisconsin State Senate Economic Development, Job Creation, Family Prosperity and  
Housing Committee

RE: AB 56, SB 24

Dear Distinguished Wisconsin Assembly and Senate Leaders,

I regret not being able to deliver my message in person at your February 14 joint hearing. In my absence, I wish to voice our support and ask for your support for AB 56 and SB 24.

Our organization encourages you to vote to support the above referenced legislative items relating to creating incentives for film production in the state of Wisconsin.

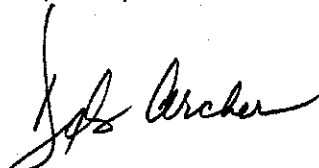
Commercial, documentary, feature and independent film productions generate billions of dollars for our nation's economy through direct spending and jobs created as a result of production. However, very few of these dollars and jobs are being realized by the State of Wisconsin, but rather by other states – and neighboring countries such as Canada – who have aggressively embraced and pursued film production.

The measure you passed last year, to create incentives for this industry, was a giant step in the direction of luring these new, fresh dollars and potential jobs, into our state. The new bills being proposed at this time, help refine the former measure and move-up the incentive inception date so productions, presently knocking on our state's doors for production in 2007, could come to fruition.

The Dane County/ Capital region is ready and interested in hosting film productions. We have much to offer film producers of all types – commercial and non-commercial. We also know the entire State of Wisconsin offers a multitude of natural backdrops for a variety of film purposes, as well as a plethora of interesting landmarks, facilities, urban and rural communities and other resources that film producers would love to consider as they weigh film site options. However, our resources will not be tapped unless there are competitive incentives made available to producers.

Please vote to support AB 56 and SB 24 and encourage your colleagues to do so as well. The result will be positive in terms of economic development, job creation and prominent promotion of this great State.

Respectfully,



Deb Archer, CDME  
President & CEO





# **JULIE LASSA**

## **STATE SENATOR**

### **SENATOR JULIE LASSA'S SENATE BILL 24 TESTIMONY**

#### **Film Wisconsin**

#### **Senate Committee on Economic Development, Job Creation, Family Prosperity and Housing**

**Wednesday, February 14, 2007**

**10:00 am**

Good morning committee members - thank you for allowing me the opportunity to address you today on Senate Bill 24, which will move up the effective date of tax credits for the film production industry. Senator Kanavas, Representative Strachota, and I have worked together to draft this bill and would like to discuss with you the urgency to pass this bill and bring film productions to Wisconsin.

Last session, Governor Doyle signed the Film Wisconsin bill into law. This bill was drafted to close the gap between Wisconsin and other states competing for jobs, investments and revenue generated by the film production industry.

The Film Wisconsin law allows a film production company to earn a tax credit beginning on January 1, 2008. Because film companies cannot take advantage of Wisconsin's tax credit for about another year, more than \$75 million in possible productions and hundreds of jobs that expressed interest in working in Wisconsin went to other states and Canada where incentives are already in place. We hope to bring these jobs back to Wisconsin so that we can capture the industry's revenue by allowing these companies to retroactively claim credit beginning on January 1, 2007.

Moving up the effective date will allow Wisconsin to claim a sizeable chunk of the \$40 billion film industry. It will create high-paying jobs, as up to 80 percent of film production jobs are local hires. Most importantly, it will add new and additional revenue to the state because film productions would not come to Wisconsin without these incentives.

You will hear testimony from several representatives who are here today from the film industry in support of this important legislation. I urge you to support Senate Bill 24 so that filmmaking in Wisconsin can soon become a reality.

Thank You.

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